

DM London Branch
from 4890 GB - DM London Branch
David George Daniel, ext. 58078

Credit Application

06.03.2009

10:36

Customer no. 9018493230 File No. 4890016643

Cabo San Lucas S. de R.L. de C.V.
c/o Danske Bank, Attn: Credit, Shb
75 King William Street
London
London
EC4N 7DT

Credit responsible 3945 DK
Customer-service branch 4890 GB
Customer classification US

Business: Financial intermediation n.e.c

Application for USD 125,138,328.00 Line

To assign existing debt, refinance facilities and fund future development

v collateral: Various collateral

Comments: This application has already been approved.
See extended comments. Recommended.

David Daniel/Peter Hughes

London Branch

Limits	Utilization	Facilities (in 1,000 USD)	Collateral	Est. value
125,134	0	Facilities sought	Proposed collateral	0
109,138	1,601	Credit facilities		
-109,134	0	Excess (not approved)/Offset		
125,138	1,601	Total exposure with the customer	Unsecured	125,138

Reply:

App. reply

Deposits:
(in 1,000 USD)

Customer

Custody:
(in 1,000 USD)

Customer

WITHDRAWN + LS PROPOSED @ 24/4

Comments:

Borrower: Diamante Cabo San Lucas S. De. R.L. De C.V
Facility: USD 125.1 mio Term Loan and Revolver expiring
31 March 2012 with a two year extension option
subject to a USD 25.0 mio debt cancellation
Tranches: Term Loan - USD 109.1 mio bullet repayment on
maturity (USD 25.0 mio prepayment on extension
option exercise)
Revolver - USD 16.0 mio
Purpose: To finance the land purchase and development
of a golf course, club house, three residential
villas and necessary infrastructure at Cabo San
Lucas, Mexico.
Margin: Term Loan - 300 bps accruing
Revolver - 500 bps accruing
Commitment Fee: Revolver - 250 bps
Security: First fixed and floating security over the land
and buildings at Cabo San Lucas; downstream
guarantees; Pledge over shares and the
Personal Guarantee of Ken Jowdy

This is one of the 11 collateral assets for the USD 800 mio Lehmans Repo.
Following the default of that facility we have liaised closely with Cabo
to agree a restructuring to enable the maximisation of our future recovery.

Borrower is a Mexican LLC and a wholly owned subsidiary of Diamante Cabo
San Lucas LLC - a Delaware LLC. This intermediate HoldCo is 40% owned by
KAJ Holdings LLC (Ken Jowdy); 39% by Baja Ventures 2006 LLC (Phillip
Kennar); 13% Diamante Properties LLC and 8% CSL Properties 2006 LLC (the
latter two being 3rd party investment). The remaining 1% is held by Ken
Jowdy. We have met him a number of times and have visited the site. We
have found Ken to be open and communicative and consider him to be well
placed/regarded in the local community to bring this development forward.

USD 125 mio Lehmans bilateral line is drawn at USD 107.5 mio. Expiry
is March 2009, with two one-year extension options. Prior to the Lehmans
failure a number of valid drawdown requests were not funded, triggering a
lender default. Given this, our advisors confirm that foreclosure will
leave us open to counter-claims from the borrower. This limits our
options and despite the apparent collateral value, we do not consider it
to be in our interests to foreclose at this stage. We consider that a sale
to a 3rd party investor will also present the same complications.

Cabo is a 1500 acre Pacific beachfront location in Mexico. Development is
at an early stage and already comprises a championship golf course and
certain pre-development work (desalination plant and roads), construction
is yet to commence. The site is fully entitled to build 595 residential
villas, a 2nd golf course, 2 clubhouses and spa facilities. There is also
capacity for further residential units and space for 3 hotels.

The site was acquired by Diamante for USD 73 mio in March 2006 and USD 72
mio has since been invested in obtaining entitlements and the
pre-development work/golf course. USD 8.4 mio of original cash equity was
injected. Exit was to have been via long term development funding but in
the current environment this route is not open to us.

While we may be able to sell the debt in the distressed debt market, we do

not consider this viable in maximising our recovery - the current forced sale value is USD 200.0 mio (65% LTV). Given that we cannot currently foreclose, we recommend an extension and restructuring to allow the stabilisation of the site and to give the developer the means to commence vertical development. Entering into the restructuring will be conditional upon the borrower waiving the outstanding Lehman's lender default.

USD mio	12/06	12/07	06/08
Total Assets	95.5	230.8	245.4
Net Assets	8.5	8.9	9.1
Net Debt (incl int)	86.6	220.3	234.6
Net Debt (ex int)	86.6	95.3	99.8

The development is not generating income and as such the P&L reveals an escalating loss from operating and financial expenses As at 06/08 the cumulative Operating Loss was USD 49,511. The land value is a current set and in June 2008 this was valued at USD 240.9 mio - some 20% ahead of our expected "as is" value. Balance Sheet debt includes accrued interest and the Lehmans exit fee. Our restructuring sees these amounts forgiven. Gross Debt principal at 6/08 is USD 101.3 mio.

Base Case				
USD mio	12/09	12/10	12/11	12/12
Villa sales	2	20	288	96
Net Revenues	3.4	24.0	41.8	37.0
Total Expenses	18.3	21.4	24.6	18.8
Net Cashflow	(14.9)	2.6	17.2	18.2

Base case is predicated on achieving 2 unit sales in 2009 while our term sheet permits only 1. While our facility extends to 2012, it is apparent that we are only extending sufficient funds to cover 2009 expenditure. The project is forecast to be cash generative from 2010 as a result of an increase in villa sales and the 2010 hotel sale for USD 15.0 mio. The valuation confirms that the cost assumptions in the budget are reasonable and our cost consultant has confirmed the projected expenditure - against which we will permit drawings under the Revolver.

Our sensitivity assumes a 50% reduction in unit sales with proportionately adjusted expenses. This sees Cabo managing cashflow within available limits but at reduced levels, such that 2012 positive cashflow is reduced to USD 2.7 mio. Refinancing risk on maturity is c. USD 120 mio plus accrued interest, for which we will have collateral of c. USD 200 mio (after unit sales) resulting in a pre interest LTV of 60%.

Liquidity is exhausted at the end of 2009 and the borrower will need to agree additional development funding or refinance this loan. In the absence of this, our documentation requires that additional equity contributions are made and failure to do so could enable us to to foreclose the loan if that was considered our best course of action.

Contemporaneous with the borrower signing the Term Sheet, we will assign the existing debt across from Lehmans and permit an initial USD 1.6 mio Term Loan drawing. This drawing is to partially cover the c. USD 2.8 mio outstanding creditors together with a contribution to ongoing security expenses incurred on the site and is designed to mitigate the risk of creditor action against the borrower/collateral while we progress the documentation and New Money line. Future drawings will be accommodated via the new money Revolver of USD 16.0 mio.

Montanaverde have valued the site; they are one of the leading appraisers in the Mexican market and have prior knowledge of the development. The current valuation is USD 250.0 mio (50% LTV). While we consider ourselves adequately secured, our earlier comments on foreclosure restrict us from precipitating action now to liquidate the loan. The valuation does provide comfort that we have sufficient and appropriate LTV multiples to support the debt. While there is no LTV test on closing, we consider it appropriate to obtain a further valuation to confirm a maximum 50% LTV as a condition of exercising the extension option.

In addition to the collateral, we will benefit from Pledges over all the shares in the borrower together with downstream guarantees and the personal guarantee from the developer, Ken Jowdy.

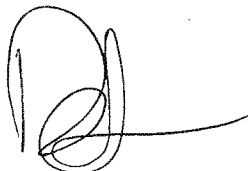
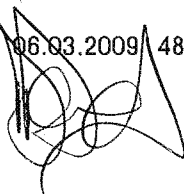
As a partially complete development there are no revenue streams to service principal and interest. Interest continues to accrue and is payable on expiry or refinancing. The Revolver is new money and is priced at a premium to the Term Debt. We face a negative cost of carry for the life of the debt but consider this supportable in the context of current low LIBOR rates and given that we are restructuring to maximise our debt recovery. We have waived c. USD 43 mio accrued interest since closing subject to a participation fee which sees us being paid at least USD 35 mio between now and expiry if the borrower "purchases" our 30% share of the equity. Alternatively, we have incentivised the borrower to prepay and cancel our debt by offering a discounted fee of at least USD 15 mio.

The Lehman's lender default has impaired our ability to foreclose and we consider the best way to maximise our recovery is to support the developer with a view to achieving debt repayment via villa sales and an ultimate development debt refinancing once the market has stabilised. In the meantime, this is an acceptable funding solution and we recommend approval to the assignment of the debt together with this restructuring and new money advance. Recommended.

For Daniel/Peter Hughes

London Branch

06.03.2009/4890 GB Dm London Branch David George Daniel, ext. 58078



Risk Profile

Classification

US No score. Insufficient information, or score must not be shown

Latest updated

Latest trend Unchanged

Key Figures

Customer info.

Benchmark

Detailed explanation/Rating comments

No benchmark

Existing risk event

Risk event

Valid from

Valid to

User

DM London Branch		Date 06.03.2009 Time 10:36	
Name:	CABO SAN LUCAS S. DE. R.L. DE C.V. C/O DANSKE BANK, ATTN: CREDIT, SHB 75 KING WILLIAM STREET EC4N 7DT	Customer id: 9018493230 Business: Financial intermedia Credit responsible: 3945 Customer Department: 4890	
Limits GBP	Facilities (amounts in 1.000)	Bank val. GBP	
88.736	This application		
-77.390	This reduction Acc./Prod. Amount New settlement Code Unspec. customer -7389.756 Proposed collateral		
	<p>VARIOUS COLLATERAL Agreement no. 1 Pledged in favour of Account</p> <p>USD Total estimated value : GBP 177.281 125138 - Haircut : GBP 0 Man. = Risk regulated value : GBP 177.281 Value reduction to agreeme: GBP 88.738 = Bank Value : GBP 88.738</p> <p>Full Legal Mortgage 1500 Acres of Oceanfront property known as Diamante Cabo San Lucas Professional val. 12.11.2008 USD 250.000 Valued by: Montaverde</p> <p>Cross guarantee web Guarantees from Baja Ventures 2006 LLC, Diamante Properties LLC, CSL Properties 2006 LLC and KAJ Holdings LLC</p> <p>Pledge over Sharesb Pledge over Shares of Diamante Cabo San Lucas S. De. R.L. De C.V.</p> <p>Personal Guarantee of Ken Jowdy Personal Guarantee of Ken Jowdy</p>		0
77.393	Currency Account Account no. 4036 90003664 Balance USD -1.600.000,00 Limit USD 109.138.327,83 Valid until further notice Debit: 5,20000 Credit: 0,00000 DANBOR BT 41 DANBID BT 40 Comm.: 0,00000 App. excess rate: 0,00000 Excess rate : 8,00000		
88.739	Total exposure - customer Unsec. 88.739		0

Exposure with the group. Facilities in 1,000 USD

Limits	Utilizat.	Customer	US	4890 GB	Cust. no.	Est. value
125,138	1,601	1 Cabo San Lucas S.			9018493230	
125,138	1,601	Total exposure (DABA)		Unsecured	125,138	

DM London Branch
from 4890 GB - DM London Branch
David George Daniel, ext. 58078

Credit Application

24.04.2009

13:53

Customer no. 9018493230 File No. 4890016643

Cabo San Lucas S. de. R.L. de C.V.
c/o Danske Bank, Attn: Credit, Shb
75 King William Street
London
London
EC4N 7DT

Credit responsible 3945 DK
Customer-service branch 4890 GB
Danske Rating B2-2
Included in Credit Portfolio Neutral

Business: Financial intermediation n.e.c

Application for (see specification):

Line: 1. USD 109,138,328.00 To assign existing debt, refinance facilities and fund future development
Line: 2. USD 16,000,000.00 Revolving Credit Facility

Limits	Utilization	Facilities (in 1,000 USD)	Collateral	Est. value
125,137	0	Facilities sought	Proposed collateral	0
125,137	112,539	Credit facilities		
-125,136	0	Excess (not approved)/Offset		
125,138	112,539	Total exposure with the customer	Unsecured	125,139

Reply:

App. reply

Deposits:
(in 1,000 USD)

Customer

Custody:
(in 1,000 USD)

Customer

Application - Specification

1 Facilities and increases

Offset USD 125,137,000.00

Application for USD 109,138,328.00 Line

To assign existing debt, refinance facilities and fund future development

New collateral: Various collateral

Comments: This application has already been approved.
See extended comments. Recommended.

David Daniel/Peter Hughes

London Branch

2 Facilities and increases

Application for USD 16,000,000.00 Line

Revolving Credit Facility

New collateral: Various collateral

Comments: This application has already been approved .
See extended comments. Recommended.

David Daniel/Peter Hughes

London Branch

Comments:

Borrower: Diamante Cabo San Lucas S. De. R.L. De C.V
Facility: USD 125.1 mio Term Loan and Revolver expiring
31 March 2012 with a two year extension option
subject to a USD 25.0 mio debt cancellation
Tranches: Term Loan - USD 109.1 mio bullet repayment on maturity
(USD 25.0 mio prepayment on extension option exercise)
Revolver - USD 16.0 mio
Purpose: To finance the land purchase and development of a golf
course, club house, one residential villa and necessary
infrastructure at Cabo San Lucas, Mexico.
Margin: Term Loan - 300 bps accruing
Revolver - 500 bps accruing
Commitment Fee: Revolver - 250 bps
Security: First fixed and floating security over the land and
buildings at Cabo San Lucas; downstream guarantees;
Pledge over shares and Personal Guarantee of Ken Jowdy

This is one of the 11 collateral assets for the USD 800 mio Lehmans Repo.
Following the default of that facility we have liaised closely with Cabo
to agree a restructuring to enable the maximisation of our future recovery.

Borrower is a Mexican LLC and a wholly owned subsidiary of Diamante Cabo
San Lucas LLC - a Delaware LLC. This intermediate HoldCo is 40% owned by
KAJ Holdings LLC (Ken Jowdy); 39% by Baja Ventures 2006 LLC (Phillip
Kennar); 13% Diamante Properties LLC and 8% CSL Properties 2006 LLC (the
latter two being 3rd party investment). The remaining 1% is held by Ken
Jowdy. We have met him a number of times and have visited the site. We
have found Ken to be open and communicative and consider him to be well
placed/regarded in the local community to bring this development forward.

The USD 125 mio Lehmans bilateral line was drawn at USD 107.5 mio on the
Lehmans bankruptcy. Expiry of the old Lehmans loan was March 2009, with
two one-year extension options. Prior to the Lehmans failure a number of
void draw requests were not funded, triggering a lender default. Given
this, our advisors confirmed that foreclosure would leave us open to
counter-claims from the borrower. This limited our options and despite the
apparent collateral value, we did not consider it to be in our interests
to foreclose and as such have restructured the debt as outlined above. We
consider that a sale to a 3rd party investor will also present the same
complications.

Cabo is a 1500 acre Pacific beachfront location in Mexico. Development is
at an early stage and already comprises a championship golf course and
certain pre-development work (desalination plant and roads), construction
is yet to commence. The site is fully entitled to build 595 residential
villas, a 2nd golf course, 2 clubhouses and spa facilities. There is also
capacity for further residential units and space for 3 hotels.

The site was acquired by Diamante for USD 73 mio in March 2006 and funded
via USD 8.4 mio initial cash equity and debt. Since then, debt has been
drawn to obtain entitlements and to fund pre-development work/golf course.
Exit was to have been via long term development funding but in the current
environment this route is not open to us.

While we may be able to sell the debt in the distressed debt market, we do
not consider this viable in maximising our recovery - the current forced

sale value is USD 200.0 mio (65% LTV). Given that we could not foreclose, the extension and restructuring to allow site stabilisation and to give the developer means to commence vertical development was the best option and we entered into this conditional upon the borrower waiving outstanding Lehman's lender default.

USD mio	12/06	12/07	06/08
Total Assets	95.5	230.8	245.4
Net Assets	8.5	8.9	9.1
Net Debt (incl int)	86.6	220.3	234.6
Net Debt (ex int)	86.6	95.3	99.8

The development is not generating income and as such the P&L reveals an escalating loss from operating and financial expenses As at 06/08 the cumulative Operating Loss was USD 49,511. The land value is a current asset and in June 2008 this was valued at USD 240.9 mio - some 20% ahead our expected "as is" value. Balance Sheet debt includes accrued interest and the Lehmans exit fee. Our restructuring sees these amounts foregiven. Gross Debt principal at 6/08 is USD 101.3 mio.

Base Case

USD mio	12/09	12/10	12/11	12/12
Villa sales	2	20	288	96
Net Revenues	3.4	24.0	41.8	37.0
Total Expenses	18.3	21.4	24.6	18.8
Net Cashflow	(14.9)	2.6	17.2	18.2

Base case is predicated on achieving 2 unit sales in 2009 while our term sheet permits only 1. While our facility extends to 2012, it is apparent that we are only extending sufficient funds to cover 2009 expenditure. The project is forecast to be cash generative from 2010 as a result of an increase in villa sales and the 2010 hotel sale for USD 15.0 mio. The valuation confirms that the cost assumptions in the budget are reasonable and our cost consultant has confirmed the projected expenditure - against which we will permit drawings under the Revolver.

Our sensitivity assumes a 50% reduction in unit sales with proportionately adjusted expenses. This sees Cabo managing cashflow within available limits but at reduced levels, such that 2012 positive cashflow is reduced to USD 2.7 mio. Refinancing risk on maturity is c. USD 120 mio plus accrued interest, for which we will have collateral of c. USD 200 mio (after unit sales) resulting in a pre interest LTV of 60%.

Our Revolver finances the completion of the golf course (to open in October 2009) and site infrastructure; a temporary clubhouse and one villa. We expect to be asked to fund further villa construction and/or release of land for hotel development and will consider this on a case by case basis. In the absense of which the revolver will be fully drawn by the end of 2009 and the borrower will need additional funding or refinance this loan. Our documentation requires additional equity contributions from 2010 to fund non-discretionary costs and failure to do so could enable us to foreclose if that was considered our best option - at which time we would have a fully operational golf course and completed infrastructure; in essence an improvement on the position when we inherited the loan.

Prior to assignment we permitted a USD 1.6 mio Term Loan drawing to partially cover outstanding creditors and on closing the Revolver was drawn at \$3.4 mio to bring all creditors current, cover our costs and fund

the golf course grow-in. Future drawings will be funded via the Revolver.

Montanaverde have valued the site; they are one of the leading appraisers in the Mexican market and have prior knowledge of the development. The current valuation is USD 250.0 mio (50% LTV). While we consider ourselves adequately secured, our earlier comments on foreclosure restrict us from precipitating action now to liquidate the loan. The valuation does provide comfort that we have sufficient and appropriate LTV multiples to support the debt. While there is no LTV test on closing, we consider it appropriate to obtain a further valuation to confirm a maximum 50% LTV as a condition of exercising the extension option.

In addition to the collateral, we will benefit from Pledges over all the shares in the borrower together with downstream guarantees and the personal guarantee from the developer, Ken Jowdy.

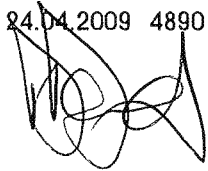
... a partially complete development there are no revenue streams to service principal and interest. Interest continues to accrue and is payable on expiry or refinancing. The Revolver is new money and is priced at a premium to the Term Debt. We face a negative cost of carry for the life of the debt but consider this supportable in the context of current low LIBOR rates and given that we are restructuring to maximise our debt recovery. We have waived c. USD 43 mio accrued interest (from closing the original Lehman loan through assignment to Danske) in return for a participation fee of at least USD 45 mio on expiry of the facility (an effective exit fee where we have offered a discount down to USD 35 mio if paid prior to expiry). In addition, the borrower is incentivised to prepay and cancel our debt by offering a discounted fee of at least USD 15 mio.

The Lehman lender default impaired our ability to foreclose and the best way to maximise our recovery is to support the developer with a view to achieving debt repayment via villa sales and an ultimate development debt refinancing once the market has stabilised. As such, this is an acceptable restructuring solution and we recommend approval.

I, id Daniel/Peter Hughes

London Branch

24.04.2009 4890 GB Dm London Branch David George Daniel, ext. 58078



Risk Profile

Classification
B2-2 The customer's ability to pay is poor
Latest updated 10.03.2009
Latest trend Unchanged

Key Figures		Customer info.		Benchmark
Detailed explanation/Rating comments				
Existing risk event				
Risk event		Valid from	Valid to	User

DM London Branch		Date 24.04.2009 Time 13:53
Name:	CABO SAN LUCAS S. DE. R.L. DE C.V. C/O DANSKE BANK, ATTN: CREDIT, SHB 75 KING WILLIAM STREET EC4N 7DT	Customer id: 9018493230 Business: Financial intermedia Credit responsible: 3945 Customer Department: 4890
Limits GBP	Facilities (amounts in 1.000)	Bank val. GBP
85.682	This application	0
-85.681	This reduction Acc./Prod. Amount New settlement Code Unspec. customer -5681.304 Proposed collateral	
	<p>VARIOUS COLLATERAL Agreement no. 1 Pledged in favour of Account</p> <p>USD Total estimated value : GBP 171.175 125138 - Haircut : GBP 0 Man. = Risk regulated value : GBP 171.175 Value reduction to agreeme: GBP 85.682 = Bank Value : GBP 85.682</p> <p>Full Legal Mortgage 1500 Acres of Oceanfront property known as Diamante Cabo San Lucas Professional val. 12.11.2008 USD 250.000 Valued by: Montaverde</p> <p>Cross guarantee web Guarantees from Baja Ventures 2006 LLC, Diamante Properties LLC, CSL Properties 2006 LLC and KAJ Holdings LLC</p> <p>Pledge over Sharesb Pledge over Shares of Diamante Cabo San Lucas S. De. R.L. De C.V.</p> <p>Personal Guarantee of Ken Jowdy Personal Guarantee of Ken Jowdy</p>	
74.727	Currency Account Account no. 4036 90003664 Balance USD -109.138.327,83 Limit USD 109.138.327,83 Valid until further notice Debit: 5,05000 Credit: 0,00000 DANBOR BT 41 DANBID BT 40 Comm.: 0,00000 App. excess rate: 0,00000 Excess rate : 8,00000	
10.955	Currency Account Account no. 4036 90003761 Balance USD -3.401.307,23 Limit USD 16.000.000,00 Valid until further notice Debit: 5,05000 Credit: 0,00000 DANBOR BT 41 DANBID BT 40	
85.683	Transfer	0

DM London Branch		Date 24.04.2009 Time 13:53	
Name:	CABO SAN LUCAS S. DE. R.L. DE C.V. C/O DANSKE BANK, ATTN: CREDIT, SHB 75 KING WILLIAM STREET EC4N 7DT	Customer id: 9018493230 Business: Financial intermedia Credit responsible: 3945 Customer Department: 4890	
Limits GBP	Facilities (amounts in 1.000)		Bank val. GBP
85.683	Transfer	Comm.: 0,00000 App. excess rate: 0,00000 Excess rate : 8,00000	0
85.683	Total exposure - customer	Unsec. 85.683	0

Exposure with the group. Facilities in 1,000 USD

Limits	Utilizat.	Customer	Cust. no.	Est. value
125,139	112,539	1 Cabo San Lucas S.	B2-2 4890 GB 9018493230	
125,139	112,539	Total exposure (DABA)	Unsecured	125,139

DM London Branch
from 4890 GB - DM London Branch
David George Daniel, ext. 58078

Credit Application

09.01.2009

12:04

Customer no. 9018493230 File No. 4890016643

Diamente Cabo San Lucas
****refer To Cad No Kyc****
c/o Danske Bank, Attn: Credit, Shb
75 King William Street
London
London
EC4N 7DT

Group responsible Anders B. Iversen
Credit responsible 3945 DK
Customer-service branch 4890 GB
(Board application)
Customer classification US

Business: Financial intermediation n.e.c

Application for USD 125,138,328.00 Line
To refinance existing debt and to fund future development costs

New collateral: Various collateral

Comments: This application has already been approved.
See extended comments. Recommended.

David Daniel/Peter Hughes

London Branch

Limits	Utilization	Facilities (in 1,000 GBP)	Collateral	Est. value
82,092	0	Facilities sought	Proposed collateral	0
0	0	Credit facilities		
0	13	Excess (not approved)/Offset		
82,092	13	Total exposure with the customer	Unsecured	82,092
5,512		Other facilities sought for the group (DABA)		
728,585	728,525	Other exposure with the group (DABA)		368,681
-3,785		Offset (DABA)		
812,404	728,538	Total exposure with the group	Unsecured	443,723
				368,681

Reply:

App. reply

Deposits: (in 1,000 GBP)	Customer	Group	Custody: (in 1,000 GBP)	Customer
Deposits free		1,430	Custody free	
Deposits not free		17,675	Custody not free	

Comments:

Borrower: Diamante Cabo San Lucas S. De. R.L. De C.V
Facility: USD 125.1 mio Term Loan and Revolver expiring
31 March 2012 with a two year extension option
subject to a USD 25.0 mio debt cancellation
Tranches: Term Loan - USD 109.1 mio bullet repayment on
maturity (USD 25.0 mio prepayment on extension
option exercise)
Revolver - USD 16.0 mio
Purpose: To finance the land purchase and development
of a golf course, club house, three residential
villas and necessary infrastructure at Cabo San
Lucas, Mexico.
Margin: Term Loan - 300 bps accruing
Revolver - 500 bps accruing
Commitment Fee: Revolver - 165 bps → accruing too
Exit Fee: To be negotiated
Security: First fixed and floating security over the land
and buildings at Cabo San Lucas; cross guarantee
structure; Pledge over shares and the Personal
Guarantee of Ken Jowdy

Diamante Cabo San Lucas (Cabo) is one of the 11 collateral assets for the USD 800 mio Lehman's Repo line. Following the default of that facility we have been in close dialogue with Cabo to agree a restructuring to enable the ongoing development and maximisation of our future recovery.

The USD 125 mio Lehman's facility is partially drawn at USD 107.5 mio. Expiry is March 2009, with two one-year extension options. Prior to the Lehman's failure a number of valid drawdown requests were not funded, resulting in a lender default. Given this, our advisors confirm that foreclosure of the existing loan will leave us open to counter-claims from the borrower. This limits our options, and despite the apparent value of our collateral, we do not consider it to be in our interests to foreclose the loan at this stage. We consider that a sale to a third party investor will also present the same complications. Lehman's are presently sole lenders and we recommend assignment of this loan to our balance sheet.

Cabo is a 1500 acre Pacific beachfront location in Mexico. Development is at an early stage and already comprises a championship golf course and certain pre-development work (desalination plant and roads), construction is yet to commence. The site is fully entitled to build 595 residential villas, a 2nd golf course, 2 clubhouses and spa facilities. There is also capacity for further residential units and space for 3 hotels.

The site was acquired by Diamante for USD 73 mio in March 2006 and USD 72 mio has since been invested in obtaining entitlements and the pre-development work/golf course. USD 8.4 mio of original cash equity was injected. Exit was to have been via long term development funding but in the current environment this route is not open to us.

While we may be able to sell the debt in the distressed debt market, we do not consider this viable in pursuing a maximised realisation when considering the recent professional valuation which extends a forced sale value of USD 200.0 mio (65% LTV). On the basis that we cannot foreclose at this stage, we recommend an extension and restructuring to allow the stabilisation of the site and to give the developer the means to commence

vertical development. Entering into the restructuring will be conditional upon the borrower waiving the outstanding Lehman's lender default.

The developer is KAJ Holdings, owned by Ken Jowdy. We have met Ken a number of times and have visited the development. We have found him to be open and communicative and consider him to be appropriately placed and well enough regarded in the local community to bring this development forward.

Base Case				
USD mio	2009	2010	2011	2012
Villa sales	14	25	300	93
Hotel sales	-	1	-	-
Net Revenues	6.6	26.6	48.4	35.1
Total Expenses	15.6	20.7	22.7	15.9
Contingency	1.9	1.5	1.8	0.9
Net Cashflow	(10.9)	4.4	23.9	18.3

Base case is predicated on achieving more unit sales (14) than our term sheet permits (3), due to the assumption that we will support these against binding pre-sale contracts. The project is forecast to be cash generative during 2010 as a result of an increase in villa sales together with the sale of the first hotel for USD 15.0 mio. The valuation report opines that the cost assumptions in the budget appear reasonable but it will be necessary for us to engage appropriate advisors to confirm the projected expenditure - against which we will permit drawings under the Revolver.

Our sensitivity assumes 3 villa sales in 2009 (in line with the Term sheet and only built after signing binding pre-sale contracts with c. 20% non refundable deposits). Thereafter we assume a 50% reduction in unit sales with expenses proportionately adjusted. This sees Cabo managing cashflow within available limits but at reduced levels, such that 2012 positive cashflow is reduced from USD 18.3 mio to USD 2.7 mio. In this scenario, our refinancing risk on maturity will be c. USD 120 mio plus accrued interest, for which we will have collateral of c. USD 200 mio (after unit sales) resulting in a pre interest LTV of 60%.

We note that liquidity will be exhausted by the end of 2009 if Cabo fails to progress the villa sales. At that stage, we would have the ability to foreclose the loan if that was considered our best course of action.

Contemporaneous with the borrower signing the Term Sheet, we will assign the existing debt across from Lehman's and permit an initial USD 1.6 mio Term Loan drawing. This drawing is to partially cover the c. USD 2.8 mio outstanding creditors together with a contribution to ongoing security expenses incurred on the site and is designed to mitigate the risk of creditor action against the borrower/collateral while we progress the documentation and New Money line. Future drawings will be accommodated via the new money Revolver of USD 16.0 mio.

Montanaverde have undertaken a valuation, they are seen as one of the leading appraisers in the Mexican market and have prior knowledge of the development. They advise a current Open Market Valuation of USD 250.0 mio, implying a LTV of 50%. While we consider ourselves adequately secured, our earlier comments on foreclosure restrict us from precipitating action now to liquidate the loan. The valuation does provide comfort that we have sufficient and appropriate LTV multiples to support the debt. While there

is no LTV test on closing, we consider it appropriate to obtain a further valuation to confirm a maximum 50% LTV as a condition of exercising the extension option.

In addition to the collateral, we will benefit from Pledges over all the shares in the borrower together with a cross guarantee structure and the personal guarantee from the developer, Ken Jowdy.

As a partially complete development there are no revenue streams to service principal and interest. As such, interest will accrue and become payable on expiry or refinancing. The Revolver represents new money and is priced at a premium to the Term Debt. We face a negative cost of carry for the life of the debt but consider this supportable in the context of current low LIBOR rates and given the rationale that we are entering into this restructuring to maximise our debt recovery. As part of the restructuring, we have waived c. USD 43 mio accrued interest from closing to restructuring subject to us participating in a Profit Allocation (exit fee) on terms still to be agreed.

The Lehmans lender default has impaired our ability to foreclose the loan and we consider the best way to maximise our recovery is to support the developer via this restructuring with a view to achieving debt repayment via villa sales and an ultimate development debt refinancing once the market has stabilised. In the meantime, we are satisfied that this is an acceptable funding solution and we recommend approval to the assignment of the debt together with this restructuring and new money advance.

We also seek approval to finalise the restructured facility on terms acceptable to London Branch; will provide a report in due course to confirm the final structure.

David Daniel/Peter Hughes
London Branch

22.12.2008 4890 GB Dm London Branch David George Daniel, ext. 58078